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NIC# 03683-84
25 June 1984

MEMORANDUM FOR: Director of Central Intelligence

THROUGH: [REDACTED]

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National Intelligence Officer for Warning

FROM: [REDACTED]

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National Intelligence Officer for USSR-EE

SUBJECT: Monthly Forecast and Warning Report -- USSR-EE

1. US-Soviet Relations and the Possibility that the Soviets may foster a regional crisis to embarrass the Administration.A. Discussion:

Most analysts agreed with the DIA assessment that Soviet behavior would remain within bounds established during the last six months: a strident anti-US propaganda campaign, attempts to exploit weaknesses in US alliances, but no deliberate provocation of a crisis. A few analysts felt it possible that the USSR would attempt to present the US administration with unpalatable alternatives, such as the surreptitious introduction of jet fighters into Nicaragua that would force the US to accept what it had called unacceptable, or to take action that might frighten its Allies and the US public. Most analysts judged this possibility highly improbable. (Comment: NIO/USSR agrees with the judgment of the less sanguine analysts. He believes the USSR might take actions below the threshold of deliberate confrontation but designed to embarrass the US by showing it to be either impotent or willing to risk war for reasons that many in the West could be expected to find unjustifiable. Examples of such danger areas are Central America, Berlin, the Persian Gulf, and Pakistan).

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2. Forthcoming Soviet Military Exercise.

A. Discussion.

At least two major military exercises will be held in East Europe starting later this month. The Hungarian press has announced Exercise Danube for the period 25-30 June and involving some 16,000 Hungarians, Soviets, and Czechs. The Soviets have notified the other signatories of the Helsinki Final Act that they will hold an exercise involving about 60,000 Soviet troops in Poland, East Germany, Czechoslovakia, and the Baltic during the period 28 June-5 July. This would be the largest Soviet exercise in Eastern Europe that does not encompass East European participation. Although exercise goals remain unclear, they may involve the testing of command and control procedures simultaneously with the movement of large bodies of troops.

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3. The Soviet and the Iran-Iraq War

A. Discussion.

In the last two years, the lavish Soviet arms deliveries have paid off in the form of much closer Iraq-USSR relations and have now produced at least some indications that an increasingly isolated Iran wishes to improve its relations with the USSR. But the Soviets do not want an escalation of the war. For its part, Iran is still unlikely to obligate itself to the Soviets by asking Moscow for aid in any foreseeable contingencies, even in case of Western action against Iranian naval or air activity in the Gulf. One participant, however, cautioned that the US does not have any relations with Iran while the USSR does. This could be an important factor if, as is very possible, internal change began occurring in that country.

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4. Hungary: Prospects for Domestic and Foreign Policy.

A. Discussion.

The regime is facing conflicting internal and external pressures as the Kadar era is ending. Within Hungary, there have been growing demands for greater liberalization, increase in national self-awareness, and a stagnation in the standard of living whose steady rise had previously been an important legitimation device for the regime. Externally, the Soviets under Chernenko are pressing for greater ideological conformity and for East European solidarity against the West. The regime response has been a courageous relaunching of economic reforms. As important as these are, they will have to be accompanied by austerity measures, will not result in an equal sharing of burdens of benefits, will not be supported by any great infusion of Western capital (unlike the 1968 reforms), and will probably result in a rise of social tensions. On foreign policy Hungary has become increasingly activist since the summer of 1983 and has opposed Soviet attempts to diminish East-West interaction. In these circumstances, the conservatives who have steadily been losing ground may attempt a comeback and may draw Soviet support.

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